



Members of the American Institute of Certified Public Accountants
Mississippi Society of Certified Public Accountants
Tennessee Society of Certified Public Accountants

FINANCIAL AUDIT MANAGEMENT REPORT

Major General Harold A. Cross, Adjutant General
Mississippi Military Department
P. O. Box 5027
Jackson, Mississippi 39296-5027

Dear General Cross:

Horne CPA Group has completed its audit of selected accounts (see attached schedule) included on the financial statements of the Mississippi Military Department for the year ended June 30, 2004. These financial statements are consolidated into the State of Mississippi's Comprehensive Annual Financial Report.

The fieldwork for audit procedures and tests was completed on October 5, 2004. These procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met.

Internal Control over Financial Reporting

In planning and performing our audit of selected accounts (see attached schedule) included in the financial statements, we considered the Mississippi Military Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of issuing an audit conclusion memorandum on these accounts and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether selected accounts (see attached schedule) included on the financial statements of the Mississippi Military Department are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. We are pleased to report the results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, members of the Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Military Department throughout the audit. If you have any questions or need more information please feel free to call.

A handwritten signature in cursive script that reads "Horne CPA Group".

Jackson, Mississippi
October 5, 2004

Mississippi Military Department
Schedule of Selected Accounts for Audit
For the Fiscal Year Ending June 30, 2004

Fund Number Type	Account No.	Account Name
3701 Special Revenue	12400	Due From Federal Gov.
3701 Special Revenue	22100	Deferred Federal Revenue
3701 Special Revenue	44120	National Guard Federal Revenue
3701 Special Revenue	60000	Salaries and Wages
3701 Special Revenue	61000	Contractual Services
3701 Special Revenue	63000	Capital Outlay
3709Special Revenue	12400	Due from Federal Government
3709Special Revenue	22100	Deferred Federal Revenue
3709Special Revenue	44120	National Guard Federal Revenue
3709Special Revenue	60000	Salaries and Wages
3709Special Revenue	61000	Contractual Services
3000 Capital Assets	C 1000	Buildings
3000 Capital Assets	F1,000	Construction In Progress



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SINGLE AUDIT MANAGEMENT REPORT

Major General Harold A. Cross, Adjutant General
Mississippi Military Department
Post Office Box 5027
Jackson, Mississippi 39296-5027

Dear General Cross:

Horne CPA Group has completed its audit of CFDA #12.401 National Guard Military Operations and Maintenance Projects of the Mississippi Military Department for the year ended June 30, 2004. This audit was conducted in accordance with generally accepted auditing standards, Government Auditing Standards, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations.

The fieldwork for audit procedures and tests was completed on October 15, 2004. These procedures and tests cannot and do not provide absolute assurance that all federal legal requirements have been met.

Internal Control over Compliance

The management of the Mississippi Military Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited the selected major federal program for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary. Based on audit procedures and tests performed, we are pleased to report that no instances of noncompliance that are required to be reported by OMB Circular A-133 were noted.

This report is intended solely for the information and use of management, members of the Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than the specified parties.

We appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Military Department throughout the audit. Please feel free to contact us if you have any questions.

A handwritten signature in cursive script that reads "Horne CPA Group".

Jackson, Mississippi
October 15, 2004